

October 22, 2021

Advice 4513-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Renewable Natural Gas Procurement for Compressed Natural Gas Vehicles

Purpose

In compliance with California Public Utilities Commission (CPUC or Commission) Rulemaking (R.) 17-06-015, and consistent with the intent of Senate Bill (SB) 1383, Pacific Gas and Electric Company (PG&E) submits this advice letter to maintain the Biomethane Environmental Proceeds (BEP) Subaccount in the Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA),¹ supporting the procurement of Renewable Natural Gas (or Biomethane) for its Compressed Natural Gas (CNG) Vehicle customers. PG&E also submits this advice letter to inform the CPUC that PG&E will convert the Voluntary Renewable Natural Gas Procurement Pilot (Pilot) into an ongoing program.

This submittal also complies with gas procurement for the core portfolio under Gas Preliminary Statement Part D and Decision (D.) 97-08-055 (the Gas Accord), in two ways:

- The core portfolio includes gas to serve CNG vehicle use within PG&E's service territory; and
- Renewable natural gas, by definition, is a form of pipeline-quality gas on PG&E's system as is fossil natural gas, all of which is used to serve PG&E's core portfolio.

PG&E is also authorized to fuel CNG vehicles under D.91-07-018, D.95-11-035, and associated Gas Schedules G-NGV1 and G-NGV2.

¹ The GPBA was established in AL 3551-G to record costs, adopted amounts, and revenues associated with natural gas programs in which both core and noncore customers participate, in accordance with D.14-12-040.

Background

In June 2018, the Energy Division approved PG&E's Advice Letter 3961-G, implementing the Voluntary Renewable Natural Gas Procurement Pilot (Pilot) to support SB 1383. Senate Bill 1383 requires the CPUC to work with the California Energy Commission (CEC) and the California Air Resources Board (CARB) to consider "policies to support the development and use of renewable gas that reduce short-lived climate pollutants in the California, as directed by [Health and Safety Code Section] 39730.8(d)."²

Importantly, SB 1383 also requires the CPUC to take the following actions:

- Work with CARB to establish energy infrastructure development and procurement policies to "achieve a 40 percent reduction of methane from the level in 2013, by 2030[,]" consistent with Health and Safety Code Section 39730.7(d)(1)(A).³
- Work with CEC and CARB to develop recommendations surrounding development and use of renewable gas, including biomethane and biogas, as part of its 2017 Integrated Energy Policy Report (IEPR).⁴
- Direct gas corporations to "implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system and allow for rate recovery of reasonable infrastructure costs."⁵

In addition, the Pilot supported Assembly Bill (AB) 1900 and CPUC R.13-02-008 (Biomethane OIR) which cites new Public Utility Code Section 399.24 requiring that the CPUC "adopt policies and programs to promote the in-state production and distribution of biomethane."⁶ Assembly Bill 2313 reinforces the requirement for the CPUC to adopt such programs, including monetary incentives for biomethane projects.⁷

The Pilot supported the further development of renewable natural gas sources, avoiding more greenhouse gas (GHG) emissions relative to fossil gas, and advancing state policies promoting renewable natural gas production. Currently, renewable natural gas includes feedstocks from landfills, livestock, and wastewater treatment facilities. The procurement Pilot targeted all such projects that currently produce renewable natural gas.

Prior to the Pilot, PG&E used fossil natural gas to serve its CNG customers and PG&E CNG fleet. As an opt-in entity under CARB's Low Carbon Fuel Standard (LCFS)

² D.17-12-004, Dec. 18, 2017, at 6.

³ See *id.* at 11.

⁴ See *id.* at 5-6.

⁵ *Id.* at 2.

⁶ D.14-01-034, Jan. 22, 2014, at 4.

⁷ See D.16-12-043, Dec. 16, 2016, at 3.

regulation,⁸ PG&E generates LCFS credits that it subsequently sells and rebates (via an annual Clean Fuel Rebate) to its CNG customers, and also lowers overall costs for PG&E's CNG fleet.⁹

Under the LCFS regulation, the regulated parties differ for renewable CNG compared to fossil CNG. Specifically, under renewable CNG, the renewable natural gas seller/developer is the opt-in regulated party, while for fossil CNG, the CNG dispensing entity is the opt-in regulated party. As such, the renewable natural gas seller is responsible for generating the LCFS credits. In addition, the seller would generate Renewable Identification Number (RIN) credits under the U.S. Environmental Protection Agency's (U.S. EPA) Renewable Fuel Standard (RFS),¹⁰ which are not available for fossil CNG. Both sets of environmental credits offer the potential for PG&E's CNG customers and fleet to gain more financial benefit than they do currently under fossil CNG.

About the Voluntary Renewable Natural Gas Procurement Program

PG&E proposes to convert the Pilot into an ongoing Voluntary Renewable Natural Gas Procurement program (Program). The renewable natural gas purchases are limited to gas for resale in the transportation sector, and specifically for CNG vehicle use. PG&E envisions running a Request for Offers in 2021/2022 for renewable natural gas to meet the CNG vehicle fuel demand.

Importantly, current and prospective renewable natural gas producers and/or suppliers have approached PG&E over the past two years seeking a sale. In conjunction with our planned solicitation, PG&E will reach out to all potential sellers, including those that have not contacted PG&E yet.

PG&E envisions a contractual revenue sharing arrangement whereby the renewable natural gas seller generates and monetizes the Cellulosic Biofuel (D3 category) of qualified RINs under Section 80.1426 of U.S. EPA's RFS regulation,¹¹ and LCFS credits under Section 95488 of the LCFS regulation,¹² then shares the revenues generated with PG&E.¹³ Under this arrangement, PG&E seeks to ensure that its CNG customers receive a benefit equal to or greater than the annual Renewable Natural Gas Fuel Credit that

⁸ See generally Low Carbon Fuel Standard, CARB, available at <https://www.arb.ca.gov/fuels/lcfs/lcfs.htm>.

⁹ While PG&E's Core Gas Supply department would be the procurement arm for renewable natural gas (as is currently for fossil natural gas serving CNG load), only CNG customers would benefit financially under the Pilot, not the rest of the core portfolio.

¹⁰ See generally Renewable Fuel Standard Program, U.S. EPA, available at <https://www.epa.gov/renewable-fuel-standard-program>.

¹¹ 40 CFR § 80.1426.

¹² 17 CCR § 95488.

¹³ The revenues generated are from the seller's sale of the LCFS and RIN credits (a financial remittance to PG&E for its share of the environmental credits).

customers receive when selling fossil CNG.¹⁴ This rebate would be tracked using the existing subaccount within the Gas Programs Balancing Account.¹⁵ PG&E will continue the Program as long as it reduces costs for CNG customers.

Benefits of the Program

Renewable natural gas has three important benefits over fossil gas when used for transportation:

- Renewable natural gas has a lower carbon intensity relative to fossil gas.¹⁶ As such, renewable natural gas has the potential to divert SLCPs in California (depending on the feedstock used) to productive use in transportation.
- Renewable natural gas generates more LCFS credits than fossil natural gas due to renewable natural gas' lower carbon intensity.
- Renewable natural gas generates RIN environmental credits, which cannot be generated from fossil natural gas.

Together, the RIN and LCFS credits generated have provided an opportunity for PG&E to buy renewable natural gas for CNG fueling more economically than fossil natural gas.

PG&E's Program would provide the following additional benefits:

- Current market conditions for environmental credits and expected cost profiles for renewable natural gas sellers appear favorable for renewable natural gas when used for transportation.
- PG&E envisions no additional transaction costs under its future contract structure with the renewable natural gas seller.
- To the extent that PG&E fulfills some or all its CNG load with renewable natural gas, it will mitigate its exposure in future years under the LCFS regulation. Under LCFS regulations currently proposed by CARB,¹⁷ PG&E faces the eventuality of becoming a mandatory regulated entity instead of an opt-in regulated entity for serving CNG vehicles.

Furthermore, the Program will also include the following elements:

¹⁴ Currently PG&E's annual Clean Energy Rebate is provided to fossil CNG customers under PG&E's LCFS Implementation Plan (Advice Letter 3575-G dated March 18, 2015, approved via disposition letter dated August 7, 2015; available at https://www.pge.com/rates/tariffs/tm2/pdf/GAS_3575-G.pdf)

¹⁵ Please see Attachment 1, an illustrative schematic of such contractual arrangement.

¹⁶ See *generally* An Overview of Renewable Natural Gas from Biogas, U.S. EPA, available at https://www.epa.gov/sites/default/files/2021-02/documents/lmop_rng_document.pdf

¹⁷ See *generally* Proposed Amendments to the Low Carbon Fuel Standard Regulation and to the Regulation on Commercialization of Alternative Diesel Fuels, CARB, available at <https://www.arb.ca.gov/regact/2018/lcfs18/lcfs18.htm>

- As described earlier, the renewable natural gas seller would share with PG&E the revenues generated from the seller's sale of the LCFS and RIN credits (a financial remittance to PG&E for its share of the environmental credits). All such benefits will be remitted to PG&E's CNG customers through PG&E's annual Renewable Natural Gas Fuel Credit.
- PG&E is not obligated to procure renewable natural gas under the Program, in the event the offers received are uneconomic.
- Offers will be sought via a competitive solicitation or bilateral negotiations.
- The competitive solicitation will be open to all producers of renewable natural gas under all viable feedstocks, including but not limited to landfills, wastewater treatment facilities, and dairies/livestock producers.
- If required, PG&E will continue to report renewable natural gas volumes procured, LCFS and RIN credits generated, credit revenues, CNG customer rebates, and program administrative costs.

PG&E's Program will reduce PG&E's current effort in LCFS credit generation as the CNG dispenser to CNG customers. PG&E's generation of LCFS credits under its LCFS implementation plan¹⁸ will continue for any residual CNG load not served by renewable natural gas, as well as for its electric vehicle load.

Request

PG&E requests CPUC approval to maintain its Biomethane Environmental Proceeds subaccount¹⁹ within the Gas Preliminary Statement DH – Gas Programs Balancing Account to facilitate renewable natural gas procurement under the Program.

PG&E also submits this advice letter to inform the CPUC of converting the aforementioned Pilot to a Program.

¹⁸ PG&E's LCFS Implementation Plan was filed under Advice Letter 3575-G dated March 18, 2015, approved via disposition letter dated August 7, 2015.

¹⁹ PG&E proposes to maintain a "Biomethane Environmental Credit Proceeds" subaccount in the GPBA to track and record PG&E's contractual share of the proceeds from the sale of consigned LCFS and RIN credits generated by the renewable natural gas seller, any associated program costs, and the proceeds returned to CNG customers.

Protests

*****Due to the COVID-19 pandemic, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com*****

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than November 12, 2021, which is 21 days²⁰ after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Sidney Bob Dietz II
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was

²⁰ The 20-day protest period concludes on a holiday; therefore, PG&E is moving this date to the following business day.



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39G)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Kimberly Loo

Phone #: (415)973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
 PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4513-G

Tier Designation: 2

Subject of AL: Renewable Natural Gas Procurement for Compressed Natural Gas Vehicles

Keywords (choose from CPUC listing): Compliance, Procurement

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date: 11/21/21

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Sidney Bob Dietz II, c/o Megan Lawson
Title: Director, Regulatory Relations
Utility Name: Pacific Gas and Electric Company
Address: 77 Beale Street, Mail Code B13U
City: San Francisco, CA 94177
State: California Zip: 94177
Telephone (xxx) xxx-xxxx: (415)973-2093
Facsimile (xxx) xxx-xxxx: (415)973-3582
Email: PGETariffs@pge.com

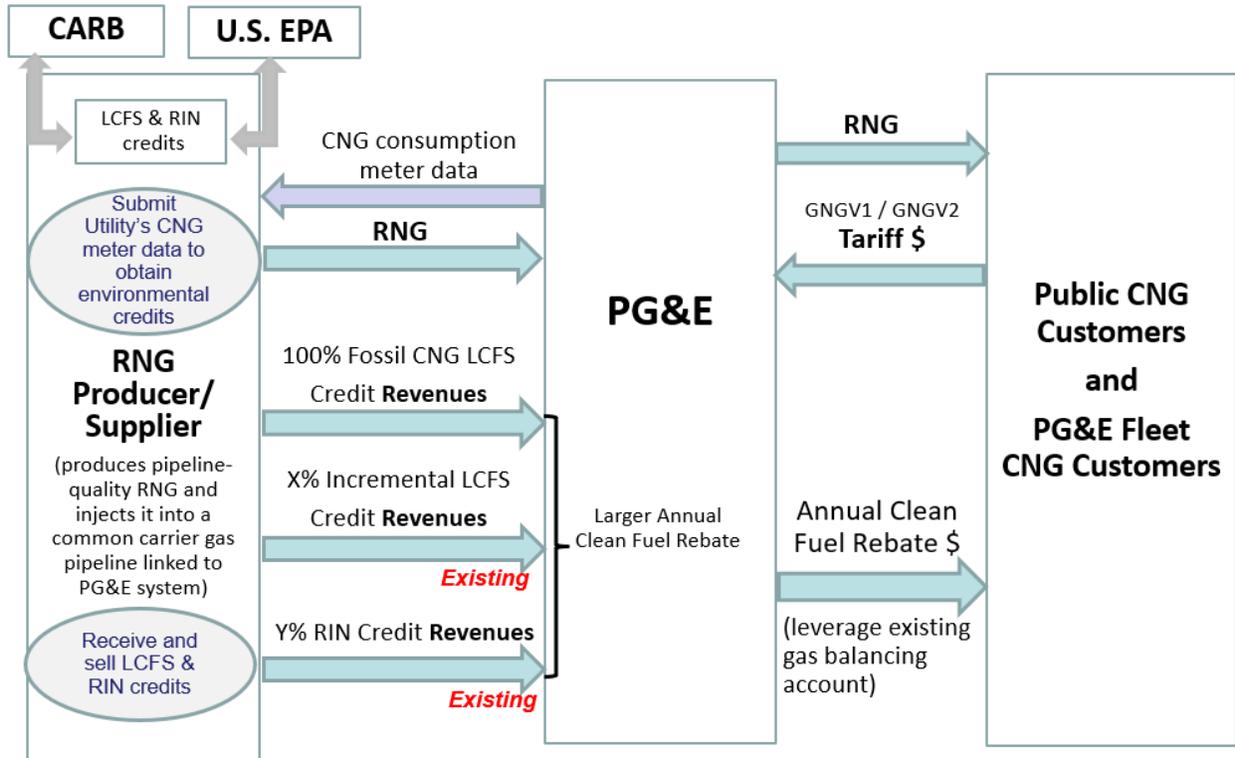
Name:
Title:
Utility Name:
Address:
City:
State: District of Columbia Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

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Attachment 1

Illustrative Schematic of Contractual Arrangement

Attachment 1—Illustrative Schematic of Contractual Arrangement



**PG&E Gas and Electric
Advice Submittal List
General Order 96-B, Section IV**

AT&T
Albion Power Company

Alta Power Group, LLC
Anderson & Poole

Atlas ReFuel
BART

Barkovich & Yap, Inc.
California Cotton Ginners & Growers Assn
California Energy Commission

California Hub for Energy Efficiency
Financing

California Alternative Energy and
Advanced Transportation Financing
Authority
California Public Utilities Commission
Calpine

Cameron-Daniel, P.C.
Casner, Steve
Cenergy Power
Center for Biological Diversity

Chevron Pipeline and Power
City of Palo Alto

City of San Jose
Clean Power Research
Coast Economic Consulting
Commercial Energy
Crossborder Energy
Crown Road Energy, LLC
Davis Wright Tremaine LLP
Day Carter Murphy

Dept of General Services
Don Pickett & Associates, Inc.
Douglass & Liddell

East Bay Community Energy Ellison
Schneider & Harris LLP Energy
Management Service
Engineers and Scientists of California

GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz &
Ritchie

Green Power Institute
Hanna & Morton
ICF

IGS Energy
International Power Technology

Intertie

Intestate Gas Services, Inc.
Kelly Group
Ken Bohn Consulting
Keyes & Fox LLP
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated
Waste Management Task Force
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenzie & Associates

Modesto Irrigation District
NLine Energy, Inc.
NRG Solar

OnGrid Solar
Pacific Gas and Electric Company
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

Redwood Coast Energy Authority
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
San Diego Gas & Electric Company

SPURR
San Francisco Water Power and Sewer
Semptra Utilities

Sierra Telephone Company, Inc.
Southern California Edison Company
Southern California Gas Company
Spark Energy

Sun Light & Power
Sunshine Design
Tecogen, Inc.
TerraVerde Renewable Partners
Tiger Natural Gas, Inc.

TransCanada
Utility Cost Management
Utility Power Solutions
Water and Energy Consulting Wellhead
Electric Company
Western Manufactured Housing
Communities Association (WMA)
Yep Energy